

PARTNERS' CAPITAL ACCOUNTS

Dr.				Cr.			
Particulars	L	M	N	Particulars	L	M	N
Def. Rev. Exp. A/c	20,000	20,000	30,000	Balance b/d	6,25,000	4,00,000	5,25,000
Investments A/c	-	50,000	-	Revaluation A/c	30,000	30,000	45,000
M's Capital A/c	64,000	-	96,000	L's Capital A/c	-	64,000	-
M's Loan A/c	-	5,20,000	-	N's Capital A/c	-	96,000	-
Balance c/d	12,80,000	-	19,20,000	Bank A/c	7,09,000	-	14,76,000
Total	13,64,000	5,90,000	20,46,000	Total	13,64,000	5,90,000	20,46,000

BALANCE SHEET OF RECONSTITUTED FIRM AS AT MARCH 31,2023

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Creditors	80,000	Land and Building	7,40,000
Bank Overdraft	22,000	Machinery	2,25,000
Long term debts	2,00,000	Furniture	3,50,000
Capital A/Cs:		Investments	50,000
L's Capital A/c	12,80,000	Stock	3,00,000
N's Capital A/c	19,20,000	Debtors	2,00,000
Employees provident fund	38,000	Less: Provisions	(10,000)
M's Loan A/c	5,20,000	Bank	22,05,000
	40,60,000		40,60,000



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Working Note

Existing Profit-Sharing ratio = 2:2:3

Gaining Ratio of L & N = 2:3

Firm's Goodwill = 5,60,000

M's (retiring partner's) goodwill compensation = $5,60,000 \times \frac{2}{7} = 1,60,000$

L's share in goodwill compensation = $1,60,000 \times \frac{2}{5} = 64,000$

N's share in goodwill compensation = $1,60,000 \times \frac{3}{5} = 96,000$

Journal entry for goodwill

Particulars		Debit	Credit
L's Capital A/c	Dr.	64,000	
N's Capital A/c	Dr.	96,000	
To M's Capital A/c			64,000
To M's Capital A/c			96,000